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Review of the efficiency of the administrative and financial functioning of the United Nations

Response to the comprehensive report of the Office of Internal Oversight Services on United Nations procurement activities

Report of the Secretary-General

Summary

As requested by the General Assembly in paragraph 29 of its resolution 66/265, the Office of Internal Oversight Services was entrusted by the Secretary-General to perform a comprehensive evaluation of issues relating to procurement activities identified in recent oversight reports. The present report outlines the Secretary-General's response to the recommendation issued by the Office of Internal Oversight Services, including actions taken to date and proposed actions to be taken, pursuant to paragraph 30 of that resolution.

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I. Background

1. The present report is submitted in response to General Assembly resolution 66/265, in which the Assembly requested the Secretary-General to report to the General Assembly on findings and recommendations of the comprehensive evaluation of shortcomings and the unique circumstances that contributed to them, including information on actions taken, and proposed actions to be taken by the General Assembly to prevent recurrence of such shortcomings.

II. Actions taken related to the identified key issues

2. The Office of Internal Oversight Services (OIOS) conducted a review of issues identified in recent oversight reports on procurement activities and, subsequently, issued its report, dated 7 February 2013.[1] The OIOS review covered the period from 1 January 2008 to 31 August 2012, and the Secretary-General is pleased to note that the OIOS report stated an implementation rate of approximately 88 per cent of all OIOS procurement-related recommendations in that period.

3. It should be noted that the categorization of recommendations undertaken in the OIOS report resulted in the identification of 15 key issues that were deemed to have contributed to shortcomings incurred in the relevant period from January 2008 to August 2012. As the implementation of six of the identified key issues was considered to be in progress, OIOS did not make any additional recommendations. Similarly, OIOS did not issue a recommendation for two key issues related to inadequate vetting of vendors and inadequate training, based on the information provided by the Office of Central Support Services. Further, these two key issues were not described as still in progress. As extensive action has been taken to address both issues to date, the Secretary-General considers the status of both key issues to be "implemented". The key issue related to the vetting of vendors was sufficiently addressed by measures such as the establishment of a Vendor Review Committee, the creation and implementation of a streamlined registration process in the United Nations Global Marketplace and the issuance of a contract management policy by the Department of Field Support effective 1 April 2012. In addition, the status of the key issue related to training should also be categorized as implemented, as a comprehensive training road map has been developed and rolled out by the Procurement Division, which resulted in the provision of training to 1,336 staff members at Headquarters and in the missions. It is also noted that the Department of Field Support is developing further guidance to assist contract managers and requisitioners through a requisitioner training programme currently expected to be piloted in 2013.

4. Further, OIOS did not issue recommendations related to two key issues described as "inadequate contract management" and "lack of competent field procurement staff". The OIOS report stated that the Department of Field Support and the field missions are tasked to take appropriate actions to address vacancies, and subsequent audit reports will follow up on the progress made in managing vacancy rates. Similarly, the Secretary-General would like to note that contract management is the responsibility of the requisitioner and/or end user, while the

[1] OIOS report 2013/007: Review of issues identified in recent oversight reports on procurement activities.

procurement function is responsible for contract administration. The provisions of the Procurement Manual, chapter 15, assign clear responsibility to contract managers for the identification of contract risks; the assessment of the impact and likelihood of risk materialization; the identification and implementation of actions to manage or mitigate risks; and the continued monitoring of risks throughout the life of the contract. Reference is also made to measures implemented by the Department of Field Support to improve contract management in field missions, whereby the Department, further to the contract management policy of April 2012, also appointed a Chief, Contracts Management, at the Global Service Centre, who provides guidance to the field missions to further enhance the effectiveness of the contract management function. Notwithstanding the above, a revision of the relevant provision of the Procurement Manual has been undertaken in order to provide a clear overview and distinction between the two segregated responsibilities of contract management and contract administration, outlining the respective roles and tasks. The OIOS report does not assign a status to these two key issues, and in view of the actions of the Administration described in the OIOS report, the Secretary-General considers the status of both key issues to be "partially implemented".

5. The five pending key issues (not falling into the categories "implemented" or "in progress") identified in the OIOS report were considered by OIOS to be "closely interrelated" and resulted in one recommendation for the Office of Central Support Services to develop a systematic monitoring framework.

6. With respect to the recommendation, the Secretary-General notes that the monitoring of procurement activities of the Secretariat is currently being conducted by the relevant office overseeing the respective entities performing such procurement activities. Specifically, for field missions, the Field Procurement Liaison Team located in the Office of the Assistant Secretary-General for Field Support is responsible for monitoring the delegations of procurement authority issued by the Under-Secretary-General for Field Support to all field missions, and the Audit Response and Boards of Inquiry Section within the Office of the Assistant Secretary-General for Field Support monitors all audit recommendations and responses.

7. Within the Office of Central Support Services, the Policy and Compliance Monitoring Section of the Procurement Division conducts continuous compliance review supported by databases in which all control weaknesses are recorded, with regular follow-up. The monitoring database further collates outstanding issues noted from procurement assistance visits, which are scheduled in coordination with the Department of Field Support and approved by the Under-Secretary-General for Field Support. The monitoring database further collects issues arising from other internal compliance reviews, which are then used as a basis for procurement assistance visits reports as well as consideration or review of the procurement authority or designation process. Further, the Office of the Assistant Secretary-General for Central Support Services reviews collated information on ex post facto cases that have undergone review by the Headquarters Committee on Contracts, in conjunction with the other relevant internal compliance review cases, and communicates that information to the respective offices.

III. Proposed action in response to the recommendation

8. While of the view that the current monitoring processes are adequate and meet the Secretariat's needs for oversight of procurement activities, the Secretary-General acknowledges that an even more comprehensive and systematic approach could be implemented by establishing an all-encompassing systematic oversight, including the conduct of delegation of authority with appropriate performance indicators and reporting arrangements, which rests with the Department of Field Support. This enhancement would have to be implemented within the current available resources in the immediate term and initial actions. While best efforts will be extended to achieve an enhancement of the framework within existing resources, the Secretary-General recognizes that full implementation of the action plan outlined in paragraph 9 below would require appropriate additional resources.

9. Accordingly, the Secretary-General accepts the OIOS recommendation to develop a fully systematic monitoring framework for the procurement activities of the Secretariat. The Office of Central Support Services is tasked to set up an action plan for the implementation of such a systematic framework composed of the following elements:

(a) *Scope of framework*. In order to be all encompassing and systematic, the Office of Central Support Services will collect data and reports from the field missions, the Department of Field Support, offices away from Headquarters, economic commissions and tribunals in addition to the data to be obtained within the area of responsibility of the Office, as all entities perform procurement activities with a relatively high procurement value and corresponding risk. The Office of Central Support Services will perform an in-depth analysis of the best practices in the public sector on which data shall be obtained, the most effective methods (for example, direct and indirect monitoring tools) and analyse them to allow for the most efficient, viable and thorough monitoring of procurement activities,

(b) *Processes/policies*. The action plan will further detail policies and processes, including roles and responsibilities for each data-contributing department or entity within the Organization for the coordination of data collection. Policies must determine which data is relevant and applicable for the monitoring framework as well as the frequency of data submission from all entities to the Office of Central Support Services. In addition, communication policies must be established, including relevant focal points, respective tasks and a reporting mechanism;

(c) *Information technology*. The Office of Central Support Services will consult with the Office of Information and Communications Technology, if needed, and use in-house resources in order to establish whether the existing stand-alone internal databases can be utilized for these purposes or whether a different database must be created. In addition, consultations with Umoja should take place to confirm compatibility with Umoja and ensure that such a database can be integrated with Umoja at a later stage;

(d) *Resource allocation*. The Office of Central Support Services will analyse the necessary resources for the establishment and maintenance of such a monitoring framework;

(e) *Timeline*. Upon determination of technical and human resources needs, the timeline for the fastest possible implementation will have to be established, with appropriate milestones;

(f) *Communication*. Prior to the finalization of the monitoring framework database and during the establishment of the relevant policies and procedures, the changes associated with the framework will have to be communicated to all stakeholders and senior management of the respective Secretariat entities.

10. The Secretary-General further takes note of the OIOS suggestion to consider the modality of a scorecard previously adopted by the Office of Human Resources Management. This tool is used to specify performance indicators and targets and monitor performance. The achievement of performance indicators and targets will be assessed annually and made public. The Secretary-General welcomes this method of key performance assessment and would like to note that, in line with the recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/64/501, para. 11), the Procurement Division had in 2010 already initiated the establishment of key performance indicators. An external study was conducted and issued in July 2011 and, upon review of that study, key performance indicators were developed in line with industry best practices to provide greater transparency on the efficiency and effectiveness of the Division's work. Thus far, the Procurement Division has implemented eight key performance indicators related to efficiencies in the procurement process, sourcing and effectiveness. The implementation of the remaining key performance indicators is dependent on the finalization of Umoja. Umoja will transmit the relevant data for those indicators to the process owner (Office of Central Support Services) upon its implementation in 2013/2014. Up to 12 additional key performance indicators will allow for even broader, accurate performance measurements, identification and analysis of risks and non-compliance with United Nations Regulations and Rules for all the United Nations entities to be included in the systematic monitoring framework, subject to Umoja implementation.

11. The Secretary-General advises that the implementation of the recommended systematic monitoring framework by the Office of Central Support Services will commence immediately. However, full implementation of the action plan and development of the scorecard or its equivalent, including all relevant key performance indicators and specific targets, is subject to Umoja implementation in 2014 as well as appropriate additional resources.